

## **Recapture/Reallocation**

The Division of Workforce Development (DWD) receives both Temporary Assistance for Needy Families (TANF) funds and General Revenue funds to operate the Career Assistance Program (CAP) and both of these are appropriated to DWD on a state fiscal year basis. As part of DWD's oversight responsibilities we must manage the resources appropriated to us and move funds from any region that is not utilizing their resources to regions that need additional resources. In the past, we have attempted to do this through a voluntary system, but this system was too slow to be efficient. By the time a region volunteered to release their resources it was too late for most regions to utilize them. In addition, changes in the TANF reauthorization have eliminated the TANF high performance bonus which DWD used in the past to supplement regions that expended all their formula allocation before the end of the fiscal year.

DWD's new process will look at the expenditure rates of the regions twice during the fiscal year; at the end of October, and again at the end of January. We selected these times to minimize the impact of semester based training commitments distorting the expenses reported and to allow time for regions receiving the additional funds to expand their program accordingly. Local regions should make sure they include accruals when completing their October and January Contract Progress Reports (CPR).

The required expenditure rates will need to be 30 percent by the end of October and 50 percent by the end of January. After the CPRs have been received for October and January, we will recapture the difference between the actual expense reported and the 30 percent and 50 percent expenditure levels, respectively, and reallocate it to regions that have met their expenditure rates and who indicate they have the ability to spend the additional funds by June 30. If the total amount recaptured is less than \$100,000, we will start with the regions with the highest expenditure rates and make awards until the funds are exhausted. If the recaptured amount is above \$100,000, all regions meeting the expenditure requirements will be offered a share of the recaptured funds.

## **Incentive Payments**

For many years, Missouri has enjoyed a substantial reduction in the participation rate requirement, due to a case load reduction credit. The re-authorization of the TANF program will substantially reduce this credit. Missouri will need to move from the engagement rate measure we have been using to the actual work participation rate if we are to ensure that we meet or exceed the new work participation rate by the end of the year. Unfortunately, we will not be able to make the necessary adjustments in our reporting system before the start of the fiscal year. We have been in discussions with the Family Support Division and the CAP providers and believe that we will need to recommend some significant changes to the state's policies to motivate CAP clients to fully participate in the employment activities available to them. Making significant changes to TANF policies will be a process that will take several months from

formulation of recommendations, through solicitation of appropriate support from executive, legislative, and interest groups to finalization of the policy changes. We can not wait for these changes to take effect to begin to make improvements in the program. We settled on an interim incentive policy using the existing engagement standard and rewarding those who are able to increase the number of individuals engaged in a work activity. We elected not to use the engagement rate percentage as increases or decreases in the caseloads are beyond the control of the CAP operators. Instead, we will offer a \$150/month incentive payment to the regions for each additional individual engaged in a work activity from the baseline established with the number engaged on June 1<sup>st</sup>.

We do not anticipate using this incentive policy beyond September 30, 2006. At that point we will know the federal definition of the work participation rate and will redesign the incentive around that measure. In addition, we should better know the timeline for any policy changes which might have an impact on the work participation rates. We will track the incentive awards each month and reserve the right to amend this policy if it has not provided the intended motivation to improve.